

PV Gas (GAS)

Attractive valuation

December 12, 2024

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9M24 business performance is positive thanks to LPG segment

In 9M24, revenue and gross profit of PV Gas (GAS) grew 16.7% and 5.8% YoY, respectively, mainly thanks to positive in LPG consumption volume and prices, which helped to offset the 16.3% YoY decline in gas consumption from power plants. However, SG&A expenses surged 32% YoY due to provisions related to the Phu My – Ho Chi Minh City gas pipeline.

We lowered crude oil price assumptions due to the possibility of volatility in the new US presidential term

China's crude oil consumption outlook may weaken due to the risk of a trade war with the US. OPEC+ continues to maintain production cuts until the end of 1Q25, but global supply is likely to witness a strong rally resulting from the US's oil exploration incentives. In the baseline scenario, we lower our assumption of an average oil price in 2025 from USD80 to USD75/barrel.

Strong fluctuations in LNG input prices may worsen GAS's 2025 outlook

We believe that the global LNG market in 2025 will still face the risk of supply shortage as (1) consumption from Asia increases sharply; (2) supply growth fails to keep up with demand growth; and (3) the Russia–Europe gas pipeline through Ukraine is expected to be shut down by the end of 2024, forcing the region to raise LNG imports. For GAS, 2025 will be a period of accelerating LNG consumption, but we remain cautious on the outlook for this segment with concerns over volatility in LNG input costs. We assume a 2025 LNG input price for GAS at USD12/mmBTU in the base case.

Valuation: BUY rating – Target price VND82,700

We set a target price for GAS shares at VND82,700, equivalent to an upside of 20.7% compared to the closing price of VND68,500/share on December 12, 2024.

Buy change

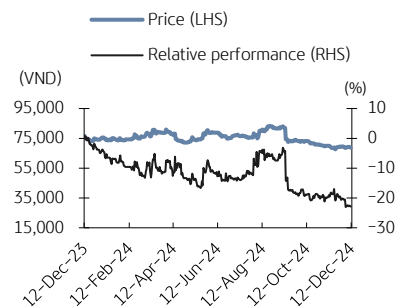
Target price	VND82,700
Upside	20.7%
Current price (Dec 12, 2024)	VND68,500
Consensus target price	VND85,300
Market cap (VNDtn/USDbn)	160.5/6.3

Trading data	
Free float	4.2%
3M avg trading value (VNDbn/USDmn)	47.4/1.9
Foreign ownership	1.8%
Major shareholder	PetroVietnam (PVN, 95.8%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-1.6	-16.2	-12.8	-10.4
Relative	-3.5	-17.2	-10.4	-22.9

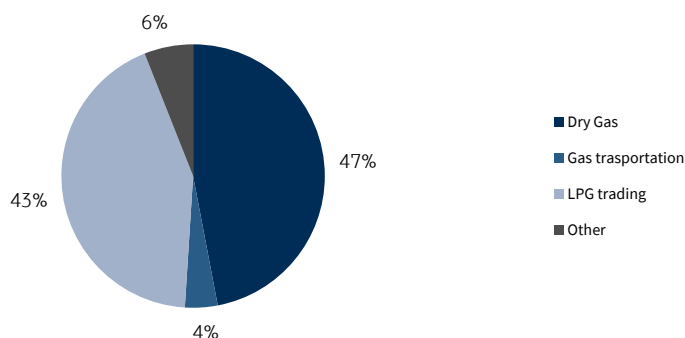
Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	100,724	89,954	104,065	106,367
Operating income/loss (VNDbn)	17,799	12,906	12,990	13,922
NPAT-MI (VNDbn)	14,794	11,606	11,118	11,819
EPS (VND)	7,647	4,972	4,840	5,145
EPS growth (%)	75.6	-35.0	-3.0	6.0
P/E (x)	9.1	13.9	14.3	13.5
P/B (x)	2.2	2.5	2.6	2.4
ROE (%)	24.6	18.1	18.0	17.8
Dividend yield (%)	4.5	8.7	4.5	4.8



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: PV Gas, KB Securities Vietnam

Business operation

PetroVietnam Gas JSC (GAS) established in 1990 and has been a member unit of the Vietnam National Oil and Gas Group. GAS mainly operates in the fields of collecting, transporting, storing, processing, exporting, importing, and trading gas and gas products. The JSC holds the No. 1 position in supplying dry gas, LPG and LNG in Vietnam.

Investment Catalysts

Gas output growth in the medium term will mainly come from LNG. Imported LNG will supplement supply in 2024–2026 when domestic gas fields are on a rapid decline.

Market price returns to attractive levels. GAS's stock price has fallen sharply to an attractive level after the negative developments in crude oil prices. The current market price is equivalent to PE 2025F at 13.3x.

The outlook for crude oil prices in 2025 is less positive than in 2024. The new US presidential term may bring many risks to the balance of crude oil supply and demand.

Notes

Please find more details [here](#)

Please see more details below

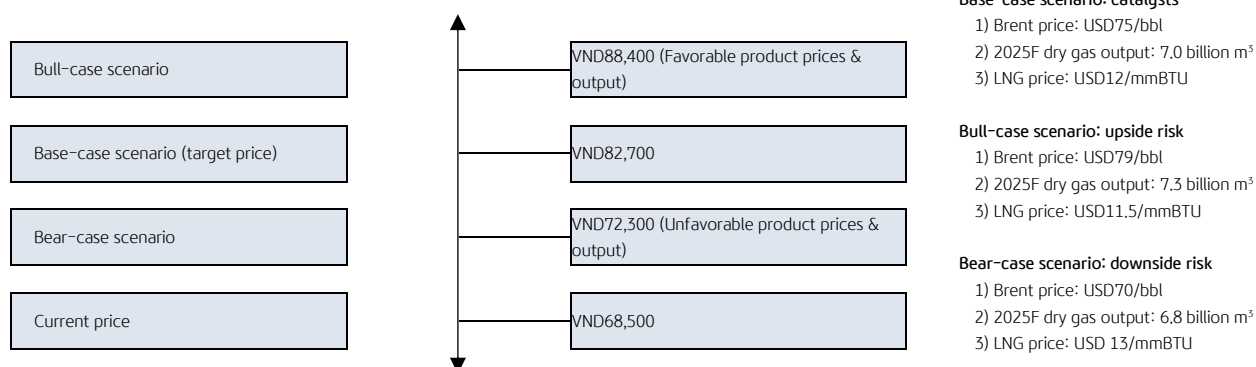
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	104,065	106,367	7%	2%	95,452	100,740	9%	6%
EBIT	12,990	13,922	-2%	4%	12,756	13,101	2%	6%
NP after MI	11,118	11,819	-3%	3%	11,546	11,651	-4%	1%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



3Q24 performance updates

9M24 business performance is positive thanks to LPG segment

In 9M24, revenue and gross profit of PV Gas (GAS) grew 16.7% and 5.8% YoY, respectively, mainly thanks to positive in LPG consumption volume and prices, which helped to offset the 16.3% YoY decline in gas consumption from power plants. However, SG&A expenses surged 32% YoY due to provisions related to the Phu My – Ho Chi Minh City gas pipeline.

Table 1. GAS – 3Q24 updated results

(VNDbn, %)	3Q23	3Q24	+/-%YoY	9M23	9M24	+/-%YoY	Notes
Revenue	22,126	25,252	14.1%	67,383	78,619	16.7%	Revenue growth in 9M24 is mainly attributable to positive FO prices, LPG prices and consumption helped offset the decline in dry gas consumption. In addition, in 2024, GAS started trading in LNG.
Gross profit	3,681	4,183	13.6%	12,866	13,610	5.8%	
Gross profit margin	16.6%	16.6%		19.1%	17.3%		
Financial income	594	409	-31.1%	1,728	1,317	-23.8%	
Financial expenses	278	109	-60.8%	448	519	15.8%	
Profit from affiliates	9	12	33.3%	18.0	26.0	44.4%	
SG&A	998	1,317	32.0%	2,913	3,846	32.0%	GAS made provisions for NT1 & NT2 thermal power plants.
Operating income/loss	3,008	3,178	5.7%	11,251	10,588	-5.9%	
Other income	1	25	2400.0%	24	26	8.3%	
Profit before taxes (PBT)	3,009	3,203	6.4%	11,275	10,614	-5.9%	
Profit after taxes (NPAT)	2,404	2,578	7.2%	9,017	8,538	-5.3%	
NPAT after MI	2,377	2,522	6.1%	8,883	8,355	-5.9%	
NPAT margin	10.7%	10.0%		13.2%	10.6%		
Dry gas consumption (million tons)	1,537	1,354	-11.9%	5,527	4,943	-10.6%	
By power plants	1,012	815	-19.5%	3,961	3,314	-16.3%	Low gas and electricity mobilization results from the Ministry of Industry and Trade prioritizing other power sources in 2024.
By fertilizer plants	271	269	-0.7%	824	878	6.6%	
By industrial parks	289	270	-6.6%	776	752	-3.1%	
LPG consumption (thousand tons)	770	814	5.7%	1,860	2,314	24.4%	
Brent price (USD/barrel)	86	78	-9.3%	84	82	-2.0%	
FO price (USD/ton)	502	478	-4.8%	451	474	5.0%	
LPG price (USD/ton)	470	618	31.4%	564	610	8.0%	

Source: PV Gas, KB Securities Vietnam

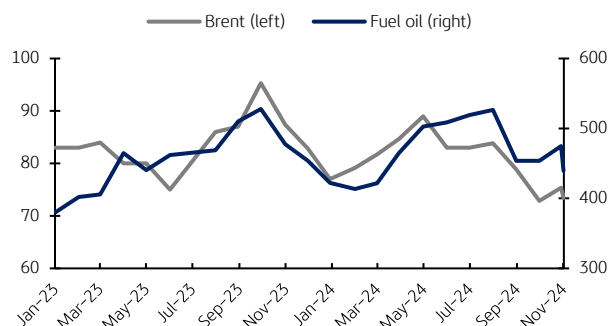
We lowered crude oil price assumptions as new US presidential term may create more volatility

The outlook for global crude oil consumption in the first half of 2025 depends on the Chinese economy. However, the country's recovery potential remains unclear as although the government has taken strong measures to implement easing policies, the risk of a trade war between the US and China during President Trump's new term still prevails. On the supply side, OPEC+ clearly shows its policy of supporting oil prices by continuing to maintain the production cut policy until the end of 1Q25. However, it is likely that global supply will skyrocket due to President Trump's policy of encouraging exploration. The IEA forecasts that crude oil demand in 2025 will increase by 1 million barrels/day while supply from the non-OPEC+ region alone will rise 1.5 million barrels/day. In our base case, we lower our 2025 average oil price assumption from USD80 to USD75/barrel, and the current 2025 downside scenario is USD70/barrel.

Strong volatility in LNG input prices could still hurt GAS's 2025 outlook

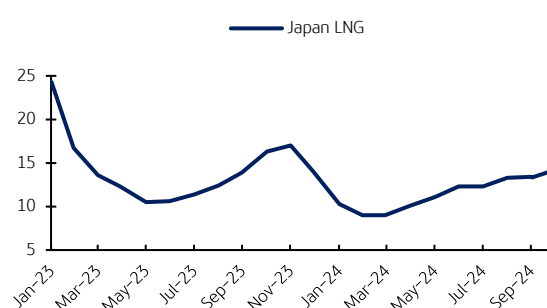
The average 9M24 Japanese LNG price (a gauge of Asian LNG prices) is USD11.2/mmBTU, steeply falling 19.8% YoY. For 2025, we believe that the global LNG market will still face the risk of supply shortage when (1) consumption from Asia increases sharply; (2) supply growth does not keep up with demand growth; and (3) the Russia-Europe gas pipeline through Ukraine is expected to be shut down by the end of 2024, causing Europe to lack about 15 billion m³/year of natural gas, forcing the region to increase LNG imports. The IEA forecasts that global LNG demand in 2025 could grow by an additional 100 billion m³/year while supply increases by only about 30 billion m³/year. However, the US government's policy of promoting LNG exports could be a positive factor contributing to stabilizing the LNG market in the long term. For GAS, 2025 will be a period of acceleration in LNG consumption output. However, we maintain a cautious view on the LNG outlook, given concerns over volatility in LNG input costs. We currently assume a 2025 LNG feedstock price for GAS of USD12/mmBTU in the base case and USD12.5/mmBTU in the downside case.

Fig 2. Global – Brent & FO prices (USD/barrel, USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fig 3. Japanese – LNG price (USD/mmBTU)



Source: Bloomberg, KB Securities Vietnam

Forecast & valuation

Table 4. GAS – 2024–2025F results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
Revenue	89,954	104,065	15.7%	106,367	2.2%	Revenue growth in 2025 mostly depends on the recovery in consumption output while output prices are under pressure from the assumption of declining crude oil prices.
Gross profit	16,925	18,040	6.6%	18,783	4.1%	
Gross profit margin	18.8%	17.3%		17.7%		
Financial income	2,273	1,769	-22.2%	1,808	2.2%	
Financial expenses	587	651	10.9%	732	12.4%	
Profit from affiliates	27	27	1.1%	27	0.0%	
SG&A	4,019	5,050	25.7%	4,861	-3.7%	The 2024 forecast is affected by the provision related to NT1 & NT2 thermal power plants. However, there is a possibility of a reversal in the future.
Operating income/loss	14,619	14,135	-3.3%	15,025	6.3%	
Other income	-13	0	-100.0%	0	N/A	
Profit before taxes (PBT)	14,640	14,135	-3.4%	15,025	6.3%	
Profit after taxes (NPAT)	11,793	11,308	-4.1%	12,020	6.3%	
NPAT after MI	11,606	11,118	-4.2%	11,819	6.3%	
NPAT margin	12.9%	10.7%		11.1%		
Dry gas consumption (million tons)	7,300	6,469	-11.4%	6,849	5.9%	
By power plants	5,189	4,334	-16.5%	4,863	12.2%	In 2024, the Ministry of Industry and Trade will raise the Qc ratio for coal power and renewable energy. The consumption output should improve from 2025, driven by LNG segment.
By fertilizer plants	1,132	1,145	1.2%	1,096	-4.3%	
By industrial parks	980	990	1.0%	1,005	1.6%	
LPG consumption (thousand tons)	2,450	2,916	19.0%	2,916	0.0%	
Brent price (USD/barrel)	83	80	-3.6%	75	-6.3%	
FO price (USD/ton)	442	471	6.6%	448	-4.8%	
LPG price (USD/ton)	577	611	5.9%	587	-3.8%	

Source: PV Gas, KB Securities Vietnam

Valuation: BUY rating – Target price VND82,700

We use a combination of the FCFF method and P/E comparison to give GAS a price target of VND82,700, equivalent to an upside of 20.7% compared to the closing price of VND68,500/share on December 12, 2024. The target P/E of 16.3x is chosen based on the median P/E of GAS over the past five years. We upgrade our rating for GAS to BUY mainly because the stock price (after adjusting for dividends) has decreased by 10.3% compared to the time of the most recent report and is at an attractive level.

Table 5. GAS – FCFF valuation

Risk-free rate	4.7%	Present value of terminal value (VNDbn)	124,674
Equity risk premium	7.6%	Total present value for the period 2024-2028	33,538
Beta	0.69	Total present value	158,212
Average interest rate	7.5%	Plus: Cash & Short-term investments	37,953
Taxes	20.0%	Minus: Net Debt	-5,820
Weighted cost of capital	9.1%	Minus: Minority interest	-1,440
Terminal growth rate	1.5%	Equity value	188,905
		Number of shares outstanding (million shares)	2,297.00
		Equity value/share (VND)	82,200

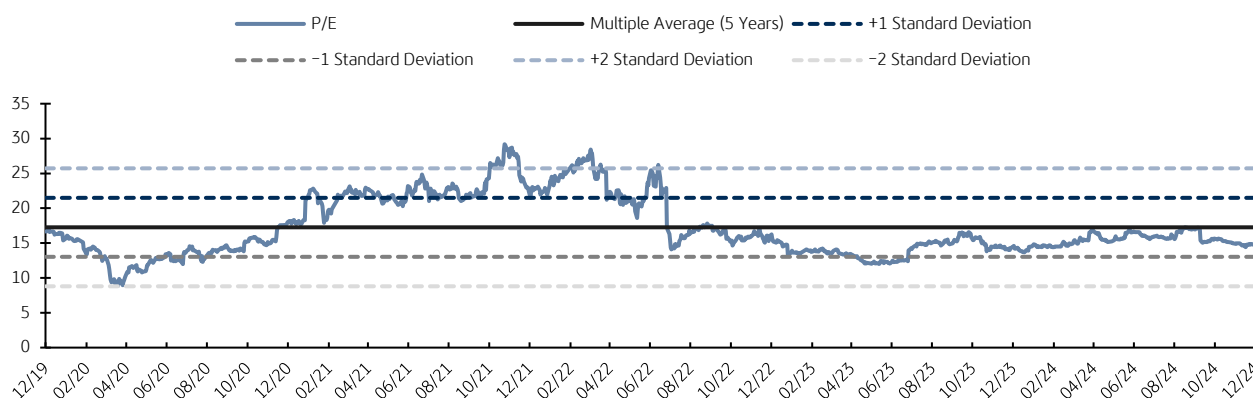
Source: Bloomberg, KB Securities Vietnam

Table 6. GAS – Final valuation

Valuation method	Forecast price	Weighting	Price per weight
FCFF	82,200	70%	57,540
P/E (16.3x)	83,864	30%	25,159
Target price (rounded)			82,700
Current price (August 29, 2024)			68,500
Upside			20.7%
Dividend yield	82,200	70%	57,540
Total return	83,864	30%	25,159

Source: Bloomberg, KB Securities Vietnam

Fig 7. GAS – P/E in 2020-2024 (x)



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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